



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO  
607 North 8th Street  
BOISE, IDAHO 83702

MINUTES  
OF  
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:30 a.m., March 19, 2002. The following members were present:

Jody B. Olson  
Dennis L. Johnson  
J. Kirk Sullivan  
Susan K. Simmons  
Pamela I. Ahrens

Executive Director Alan H. Winkle, Deputy Attorney General Brad Goodsell, Financial Officer James Monroe, Chief Investment Officer Robert Maynard, and Management Assistant Joanne C. Ax were also in attendance. Other persons attending portions of the meeting were:

Rod MacKinnon	Mountain Pacific Investment Advisors
Drew Black	DB Fitzpatrick & Co.
Dennis Fitzpatrick	DB Fitzpatrick & Co
Brian McGrath	DB Fitzpatrick & Co..
Robert Schmidt	Milliman USA
Charlie Brown	Retired Educators Assn. of Idaho
Jim Coleman	PERC – Retired Teachers
Matt Freeman	LSO-BPA
Maria Barratt	DFM
Jim Shakelford	IEA
Doug Dorn	R.V. Kuhns
Russ Kuhns	R.V. Kuhns
Richelle Sugiyama	PERSI
Cecile McMonigle	PERSI
Rhonda Yadon	PERSI
Judy Aitken	PERSI

OLD BUSINESS

Approval of the Minutes: By motion duly made by Trustee Johnson and seconded by Trustee Ahrens, the Board unanimously approved the minutes of the February 26, 2002, regular meeting of the Retirement Board as submitted.

## PORTFOLIO

Monthly Portfolio Mr. Maynard discussed his investment report dated March 18, 2002, which he had updated from the version previously furnished to the Board. In the report, Mr. Maynard noted that

“The economy has shown clear signs of recovery from what was the mildest recession in US history (with many now questioning whether there was a recession at all). The issue now is the strength of the recovery, with most believing it will be tepid by historical standards. Corporate profits, however, have not yet responded, nor are corporate executives yet stating they see a recovery in their businesses. Until this piece falls into place, the markets may trend around current levels.

“The US equity market has rebounded around 10% in the last month on the general economic improvement, and the PERSI portfolio has gained around 5% over the same period. Emerging markets are the best performing market, while fixed income is having the greatest recent difficulties. Columbus Circle is still struggling. All managers are either within their expected characteristics or have reasonable explanations for slight deviations.”

His report stated the current value of the fund as of March 18, 2002 as \$6,679,815,623. The fiscal year-to-date return percentage is negative 1.5% and the month-to-date returns are 3.2%. In order to reach the 8% hurdle rate, we would need a 20% return increase in the market by the June 30, 2002 close of the fiscal year. He said the market looks good for the long-term; but may remain neutral until CEO's begin to report better earnings and profits.

Mr. Maynard provided a list of investment professionals planning to attend the Boise conference in May. He will have a packet with more detailed information for the Board members before the meeting.

The Hamilton Lane private equity report will be reviewed at the April meeting..

Mr. Maynard and consultants are completing a final due diligence study on Clearwater Advisors LLC and expect to sign a contract with them shortly. Representatives from Clearwater will attend the April meeting and explain their cash management program. We are currently investing our cash through the Mellon STIF Fund.

The investment staff is continuing close monitoring of Columbus Circle and Zurich-Scudder. Mr. Maynard discussed the current view of those managers. He is also considering a targeted manager search for one additional global manager. In response to a question from the Board, he said in such a search, finalists are brought to the Board for approval.

Mr. Maynard is considering a securities lending arrangement with Mellon Global Securities Lending. Any agreement will include not only a guarantee against default, but also against re-investment losses. With those guarantees, Mr. Maynard is willing to pursue the opportunity. The Board will receive full details and a tutorial on the process at a future Board meeting.

R.V. Kuhns: Consultant Doug Dorn explained his new affiliation with R.V. Kuhns and introduced Russ Kuhns. Mr. Kuhns reviewed his background for the Board and noted that Mr. Dorn will service local clients of R.V. Kuhns and conduct selective marketing for the firm. There was further discussion of Columbus Circle and their management style.

Other Investment Business: Chairman Olson opened the floor to comments from managers who were attending the meeting. Brian McGrath expects the economic recovery to be in the 5-6% range. He noted that the Federal Reserve Board was meeting and may move to a neutral stance. The HP vote is also nearing. Dennis Fitzpatrick said bonds are overvalued and feels we must be careful with fixed income investments. Drew Black reported that the current Idaho economy has reduced demand for commercial mortgages. Rod MacKinnon added that the key to knowing when the recovery is underway is to listen to the CEO reports in terms of earnings better than expectations.

#### FISCAL

Expense Reports: Financial Officer James Monroe reviewed the Administrative and Portfolio expense reports for the month ended February 28, 2002, which had previously been furnished to the Board. There was nothing out of the ordinary to report this month.

#### LEGAL:

Temporary and Proposed Rules: Mr. Goodsell reviewed his memorandum dated March 13, 2002 which provided details of changes required by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and provisions required by the Internal Revenue Service as a condition of receiving a favorable letter of determination. He distributed two corrected pages showing further revisions. After a short discussion, by motion duly made by Trustee Johnson, seconded by Trustee Ahrens and unanimously approved, the Board adopted the temporary and proposed rules set forth in the notices as modified. (Docket No 59-0105-0201 – Separation Rules and Docket No. 59-0106-0201 – Retirement Rules).

#### EXECUTIVE DIRECTOR

New Employers: By motion duly made by Trustee Sullivan seconded by Trustee Simmons and unanimously approved, the Board welcomed the Marsing-Homedale Cemetery District as a new employee with an effective date of April 1, 2002. There are no entry costs for this employer to join PERSI.

Choice Plan Update: DC Plan Specialist Gay Lynn Bath provided statistics on the Choice Plan for Board Review and Discussion. More than 50,000 PERSI members have accounts in the Choice plan, and 3798 are actively contributing to that plan. This is a 9.6% increase from January 2002. The loan feature of the plan is being used by 191 participants. More than \$85 million is currently invested in Choice Plan funds. Trustees expressed disappointment in the number of members taking advantage of the plan. Mr. Winkle noted that in addition to the 401(k), state employees can contribute to a 457 plan and teachers have a 403(b)

option. The poor investment market plus lack of salary increases this year, layoffs, cutbacks and expected health insurance rate increases are all reflected in signup numbers. Discussing the education program, Trustee Ahrens said at her agency, she noticed that those closer to retirement age were more likely to respond to the presentation and begin voluntary contributions. Mr. Winkle will contact her for her suggestions on improving the training. There was more discussion of legislative intent for creating the 401(k), the challenge of reaching teachers with our presentations, the fact that private 401(k) programs often have a matching component, and goal setting for the future. Staff will provide quarterly reports on the status to the Board. They will also research the participation of PERSI members in other retirement savings plans; the goal is to encourage members to start saving somewhere for their retirement.

Other Business: Mr. Olson had received a letter and phone calls regarding the PERSI law that allows an appointed official to participate in PERSI and accrue months of service when their salary is as low as \$1 a year. Mr. Winkle explained how the law is applied and the formula for computing the final benefit in various scenarios. After discussion, Chairman Olson directed staff to research the issue and report back to the Board. Changing this law may affect many elected officials and will require a careful study of the impact on their benefits.

Status Update: The Board had previously received the monthly status memo that summarized the projects in which PERSI is involved. Mr. Winkle reviewed this memo saying staff continues to create, test and implement enhancements to Galena. More employers have begun the electronic reporting process and we have information on about 42,000 members being transmitted this way. The web enabled PERSI Employer Transmittal Reporting Application (PETRA) is in active testing with employers. This will allow small employers to transmit their data over the internet to PERSI and replace paper reporting. We expect to have a Disaster Recovery Plan completed by July with a back-up hot site process in place after that.

Mr. Winkle also reported on his participation in President Bush's Saver's Summit earlier in the month. Speakers included President Bush, Alan Greenspan, Ted Kennedy, Representatives Portman and Cardin as well as Senator Craig. The focus was on designing approaches for various age groups to save for retirement. Doug Dorn was Idaho's other delegate.

Legislative Review: Mr. Winkle discussed his final legislative status memorandum dated March 5, 2002, which reported on legislation affecting PERSI in this session of the Legislature. The legislative session adjourned on Friday, March 15.

Interns from Slovakia – Two representatives from Slovakia will be at PERSI from April 1 through April 26 to observe and learn about our retirement system. They will attend the April meeting of the Board. Mr. Maynard will give an investment tutorial Monday-Thursday from 3:30 until 5 p.m. while they are here. He invited the Board and staff to join any of the lectures.

Letter to the Board: Mr. Winkle provided copies of a letter from PERSI member Mark Taylor to the Board for their review. The Board will review the matter.

## FUTURE BOARD MEETINGS

Tuesday, April 23, 2002, 8:30 a.m., Boise - PERSI office

May 14, 15 – PERSI Investment Conference

Tuesday, May 28, 2002, 8:30 a.m., Boise - PERSI office  
**Tuesday, June 25, 2002, 9:30 a.m., at**  
**The Coeur d'Alene Resort, Coeur d'Alene, Idaho**

Adjournment: There being no further business to conduct, by motion duly made by Trustee Sullivan, seconded by Trustee Simmons and unanimously approved, the meeting was adjourned at 10:30 a.m.

Jody B. Olson  
Chairman

Alan H. Winkle  
Executive Director